

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

March 11, 2016

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF: 16HD-001

Hawaii

Approve a 1-Year Holdover of General Lease No. S-3660, Hilo Bay Printing Company, Ltd., Lessee, Kanoelehua Industrial Lots, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-050:077.

APPLICANT AND REQUEST:

Hilo Bay Printing Company, Ltd., a Hawaii corporation.

Lessee is requesting a one-year holdover of the lease in order to complete existing work orders for the National Park Service and to find a suitable place to relocate its operations.

LEGAL REFERENCE:

Sections 171-36, -40 and -55 Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Kanoelehua Industrial Lots situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-2-050:077, consisting of approximately 12,000 square feet, as shown on the attached map labeled Exhibit A.

ZONING:

State Land Use District:	Urban
County of Hawaii CZO:	ML-20 (Limited Industrial minimum 20,000 square feet)

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

DCCA VERIFICATION:

Place of business registration confirmed:	YES	X	NO
Registered business name confirmed:	YES	X	NO
Applicant in good standing confirmed:	YES	X	NO

CURRENT USE STATUS:

Encumbered by General Lease No. 3660 to Hilo Bay Printing Company, Ltd. Lease to expire on March 19, 2016. The last rental reopening occurred on March 20, 2011 and was for the remainder of the lease term.

CHARACTER OF USE:

Uses allowed under the County of Hawaii zoning code, ML-20, limited industrial.

HOLDOVER LEASE COMMENCEMENT DATE:

March 20, 2016.

HOLDOVER LEASE ANNUAL RENT:

\$13,560.00, billed in four equal quarterly installments (rent to remain at current level).

BACKGROUND:

General Lease No. 3660 (GL-3660) was originally issued to Katsumi Sakai dba K. Sakai Painting Contractor pursuant to Act 4, First Special Session Laws of Hawaii 1960, which provided for the direct issuance of leases to natural disaster victims who were affected by the 1960 tsunami that struck Hilo and other areas of the State.

The lease is for a term of 55 years commencing on March 20, 1961 and expiring March 19, 2016. Rental for the first 2 years was waived with a set rental amount of \$480.00 per year for the following 18 years. Rental renegotiations for fair market rent were scheduled for the 20th, 30th, 40th & 50th years of the lease term.

At its meeting of June 8, 1973, agenda item F-1, the Board consented to the assignment of GL-3660 from Katsumi Sakai to K. Sakai Painting Contractor, Inc.

By way of Certificate of Amendment filed with the State Department of Regulatory Agencies on June 8, 1978, K. Sakai Painting Contractor, Inc. changed its name to K.

Sakai Enterprises, Inc.

By way of lease amendment dated March 1, 1983 and approved by the Board at its meeting of August 27, 1982, GL S-3660 was amended to postpone the 1st scheduled renegotiation of rent until the 21st year due to adverse economic climate.

At its meeting of June 23, 1989, agenda item F-1-d, the Board consented to the assignment of GL-3660 from K. Sakai Enterprises, Inc. to Harry Atsushi Endo and Yukino Endo.

At its meeting of August 10, 2001, agenda item D-4, the Board consented to the assignment of GL-3660 from Harry Atsushi Endo and Yukino Endo to Hilo Bay Printing Company, Ltd.

At its meeting of September 23, 2011, agenda item D-4, the Board authorized the amendment of GL-3660 by changing the character of use to “uses allowed under the current County of Hawaii Zoning Code, ML-20, Limited Industrial; by adding a section titled “Waiver, modification, reimposition of bond and liability insurance provisions”; by updating lease provisions titled “Bond”, “Liability insurance” and “Fire Insurance” with current language; and by reducing the amount of the Performance Bond from twice the annual rental amount to one times the annual rental amount.

DISCUSSION:

Lessee is requesting a one-year holdover of GL-3660 in order to complete existing contract orders for the National Park Service and to find a suitable site for relocation of its operations.

Staff is recommending the annual rent for the holdover period remain at the current lease rent of \$13,560.00. The last rental reopening occurred on March 20, 2011 and was to be for the remainder of the lease term. Recent reopenings in the area have produced similar rental amounts.

Staff conducted a site inspection of the premises on February 10, 2016 and the property and improvements are well cared for (refer to Exhibit B). The lessee is compliant with the terms and conditions of the lease with regards to the rent, liability insurance and performance bond. There are no outstanding rental reopening issues.

The subject parcel is located in an area served by aging and/or substandard infrastructure. The area also includes numerous other DLNR parcels currently encumbered by long term leases that are also scheduled to expire between 2016 and 2026.

As one of the largest stake holders of commercial/industrial land in East Hawaii, DLNR recognizes the need for a comprehensive analysis of land use in the area in order to develop an economic strategy that will encourage new enterprises in addition to supporting the established businesses. DLNR-Land Division retained the services of a

consulting firm for the purpose of providing a feasibility study and land use planning analysis for the KIA.

The results of the study will be used to assist DLNR in formulating a use strategy for the future of the KIA and create an economic region that will benefit both the public and private sectors. However, good planning does not happen overnight; Departmental reviews, revisions and approvals may extend the timeframe for a well-conceived final plan. Many of the key elements require lengthy administrative processes which could take several years to accomplish.

Staff will return to the Board at a later date with a recommendation for disposition after the one-year holdover. Any future disposition will need to be in step with the strategic planning process currently underway for the KIA.

RECOMMENDATION:

That the Board:

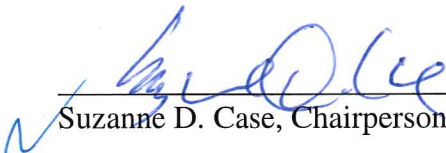
1. Authorize a One-Year holdover of General Lease No. S-3660 to Hilo Bay Printing Company, Ltd. under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - a. The standard terms and conditions of the most current holdover of lease form, as may be amended from time to time;
 - b. The annual rental amount for the One-Year holdover period will be \$13,560.00 billed in four equal quarterly amounts of \$3,390.00 each;
 - c. Review and approval by the Department of the Attorney General; and
 - d. Such other conditions as may be prescribed by the Chairperson which are in the best interests of the State.

Respectfully Submitted,



Candace Martin
Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson

2-2-50

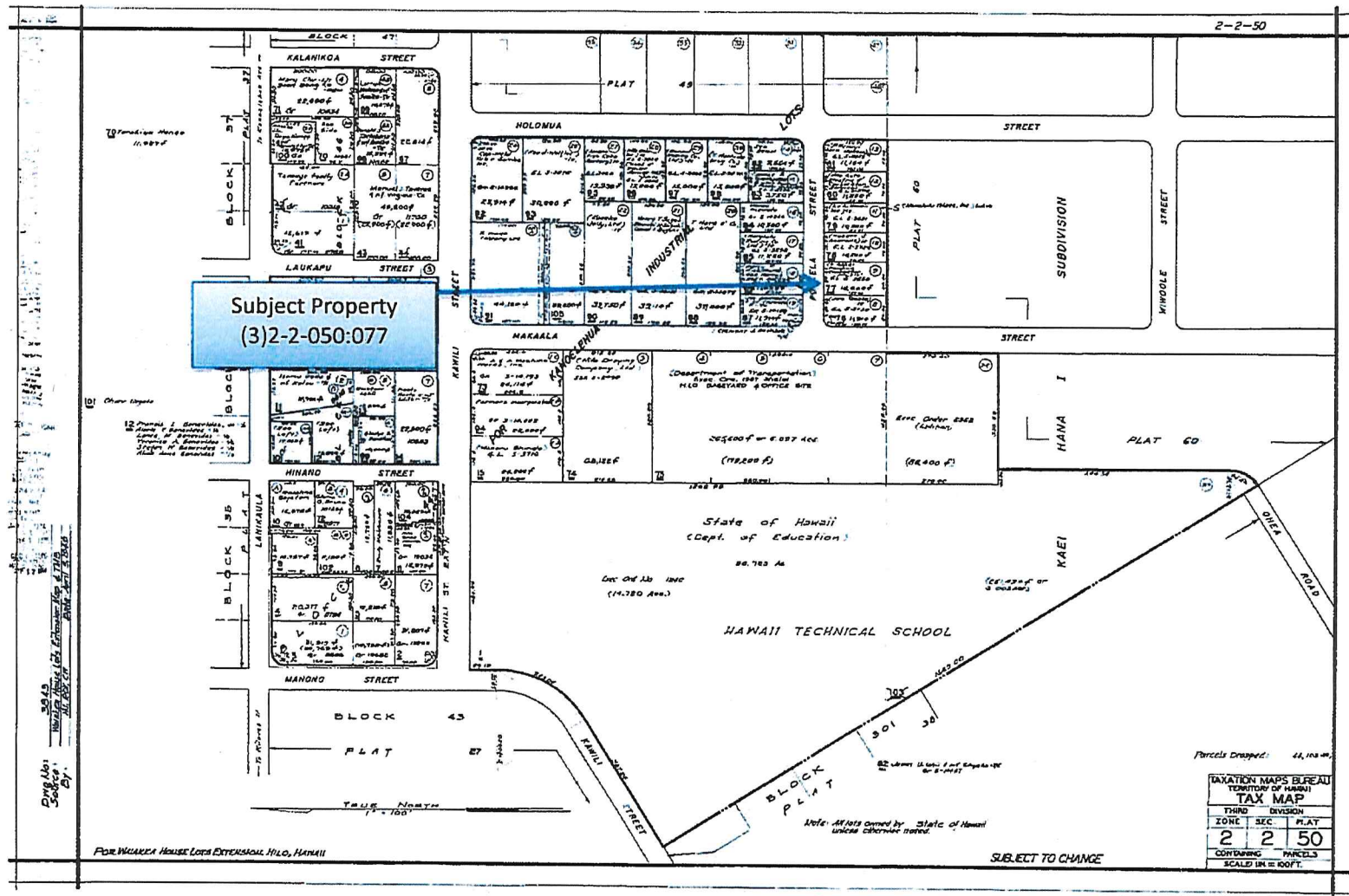


EXHIBIT B

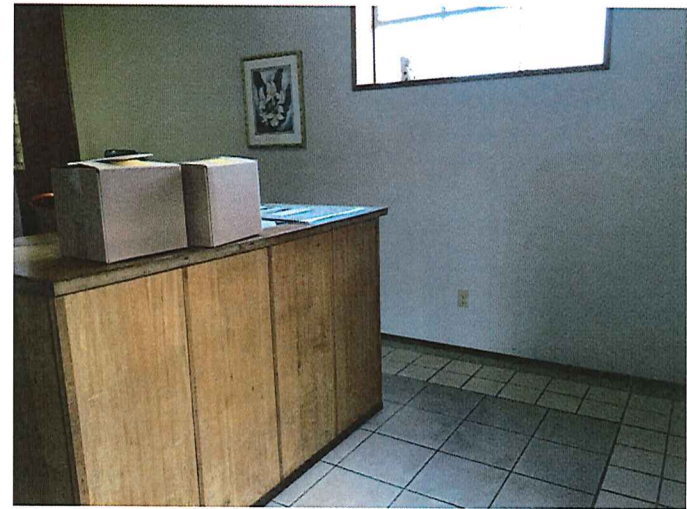
Inspection Photos of GL S-3660, Hilo Bay Printing Company, Ltd.
12 Pookela Street, Hilo, Hawaii
February 10, 2016



FRONT



REAR



OFFICE AREA





WAREHOUSE AREA

